

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Revision to Amend Part 32,)
Uniform System of Accounts for) CC Docket No. 95-60
Class A and Class B Telephone) RM-8448
Companies to Raise the Expense)
Limit for Certain Items of Equipment)
from \$500 to \$750)

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AMERITECH'S REPLY COMMENTS

The Ameritech Operating Companies¹ ("Ameritech" or the "Company"), respectfully offer the following reply to the comments on the Notice of Proposed Rulemaking ("NPRM") released in this docket on May 31, 1995. In that NPRM, the Commission solicited comments on a proposal to amend Section 32.2000(a)(4) of the Commission's rules by increasing to \$750 from \$500 the current limit for expensing, rather than capitalizing, certain items of support equipment and to allow amortization of the undepreciated, embedded assets covered by such an amendment.

¹ The Ameritech Operating Companies are: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company and Wisconsin Bell, Inc.

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In its initial comments, Ameritech urged the Commission to allow companies operating under pure price cap regulation to set their own expense limit for equipment covered by Section 32.20000(a)(4) consistent with industry practice, generally accepted accounting principles and applicable tax laws. Ameritech argued that such a rule should be made effective January 1, 1995. In the alternative, and at a minimum, Ameritech urged the Commission to adopt a realistic expense limit of \$2000, as the United States Telephone Association (“USTA”) originally had proposed, and allow companies the flexibility to manage their business within that limit. Finally, Ameritech stated that companies should be allowed to amortize previously capitalized, undepreciated investment in such equipment over its depreciable life, or five years, whichever is less.

Most of the parties filing comments were in agreement that the Commission’s \$750 proposal was entirely too low.² Many noted that the savings associated with a \$750 level generally would be off-set by the implementation costs.³ Some noted that \$750 was barely sufficient to cover inflation and well below the level used elsewhere in industry.⁴ Others argued that the \$750 proposal fails to account for the other factors, besides inflation,

² E.g., Public Service Commission of Wisconsin at 1-2. The Wisconsin Commission goes on to note its endorsement of vintage amortization level accounting.

³ E.g., BellSouth at 4-6; U S West at 2-3.

⁴ E.g., BellSouth at 3; SWBT at 6-7; GTE at 2-4; Bell Atlantic at 2-3.

which would justify a much higher limit.⁵ Some recognized that, especially for carriers operating under pure price caps, a \$2000 limit would have no affect on customers.⁶ Amortization over a period no longer than remaining life was supported by many parties.⁷

The only dissenting comments were offered by MCI.⁸ MCI argues that whatever the merits of increasing the expense limits for the support assets involved in this docket, the limits should not be based on increased competition.⁹ This argument is flatly contrary to the NPRM where the Commission specifically recognized that the expense level should be increased, in part, because of "the increasingly competitive environment".¹⁰ MCI's opposite view is unpersuasive.

Ameritech continues to believe that its position -- a position which allows pure price cap companies to set their own expense limit consistent with industry practice, generally accepted accounting principles and tax laws --

⁵ E.g. SWBT at 2-6; USTA at 1-2; GTE at 4-5; Pacific Bell and Nevada Bell at 2-3; CBT at 2-3.

⁶ E.g. Bell South at 6-7; GTE at 5-6; Bell Atlantic at 3.

⁷ E.g. SWBT at 7-8; GTE at 6; CBT at 3.

⁸ While not contrary, NYNEX's suggestion for a joint board (NYNEX at 4-6) should not be acted upon in this docket. A joint board is unnecessary and simply would delay things. Instead, companies should be allowed to work with their own state commissions to resolve differences, if any, between state and federal rules.

⁹ MCI at 2-4.

¹⁰ NPRM at par. 9.

is the most reasonable. It would put companies, like Ameritech, more on a par with their competitors in an increasingly competitive environment. It would allow companies to react more quickly to technological changes in the future. And there would be no adverse impact on customers.

At a minimum, Ameritech believes that the Commission should adopt an expense limit which is no less than the \$2000 limit USTA originally proposed, the Commission should make that rule effective January 1, 1995 and the Commission should allow for the amortization of embedded investment at the lower of the prescribed depreciable lives or five years.

Respectfully submitted,

A handwritten signature in cursive script, reading "Michael J. Karson".

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August 8, 1995

CERTIFICATE OF SERVICE

I, Linda Jeske, do hereby certify that copies of the foregoing Ameritech's Reply Comments were sent via first class mail, postage prepaid, this 8th day of August, 1995 to the parties of record in this matter.

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